

# Cannabis Revenue Update

House Committee on Ways and Means

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# Outline

1. Vermont's retail cannabis market
2. Where does the tax revenue go?
3. Revenue updates
4. Forecast considerations



# Vermont

- Act 164 of 2020 outlined the regulated cannabis retail market
- Further changes with Act 62 of 2021 and Act 158 of 2022
- Retail market officially opened on Oct 1, 2022, with 3 stores
- As of 11/17/2022, 69 towns have approved retail cannabis, 9 have rejected retail cannabis



# Three sources of cannabis revenues

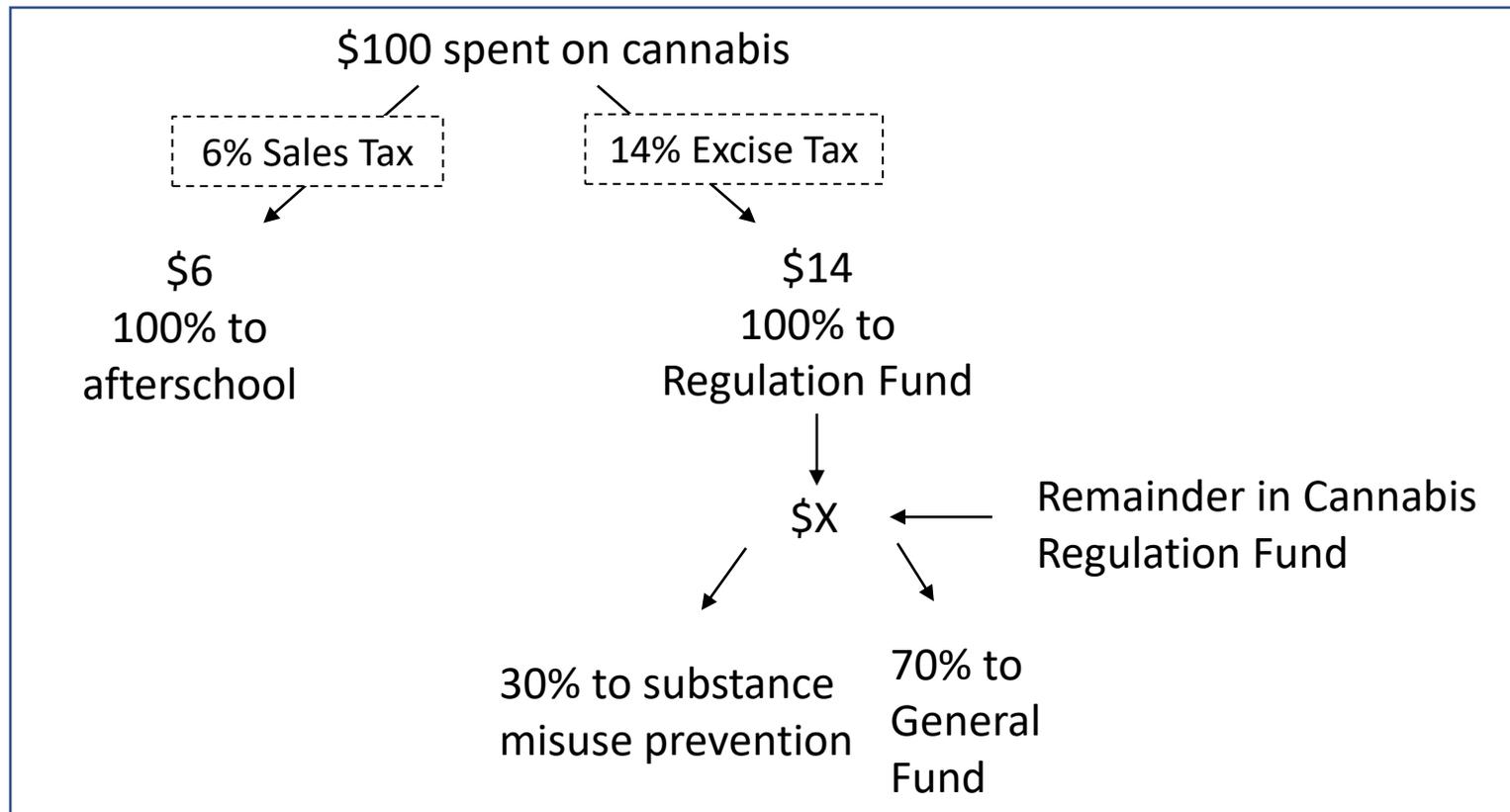
- Revenues from cannabis:
  - 6% sales tax
    - Dedicated to afterschool programming by Acts and Resolves 2020 No. 164 Sec. 17c
  - 14% excise tax
    - 30% in separate fund for substance misuse prevention programming
    - 70% to General Fund
      - Notwithstanding in FY22 Budget, dedicated to Cannabis Regulation Fund in FY24 and FY25
  - Fees
    - Set by Legislature, with recommendations from Cannabis Control Board.
    - Raised \$1.05 million in FY22



# Example of Allocation of Cannabis Revenues – FY24 and FY25

- If \$100 were spent on cannabis, cannabis revenues would be allocated accordingly:

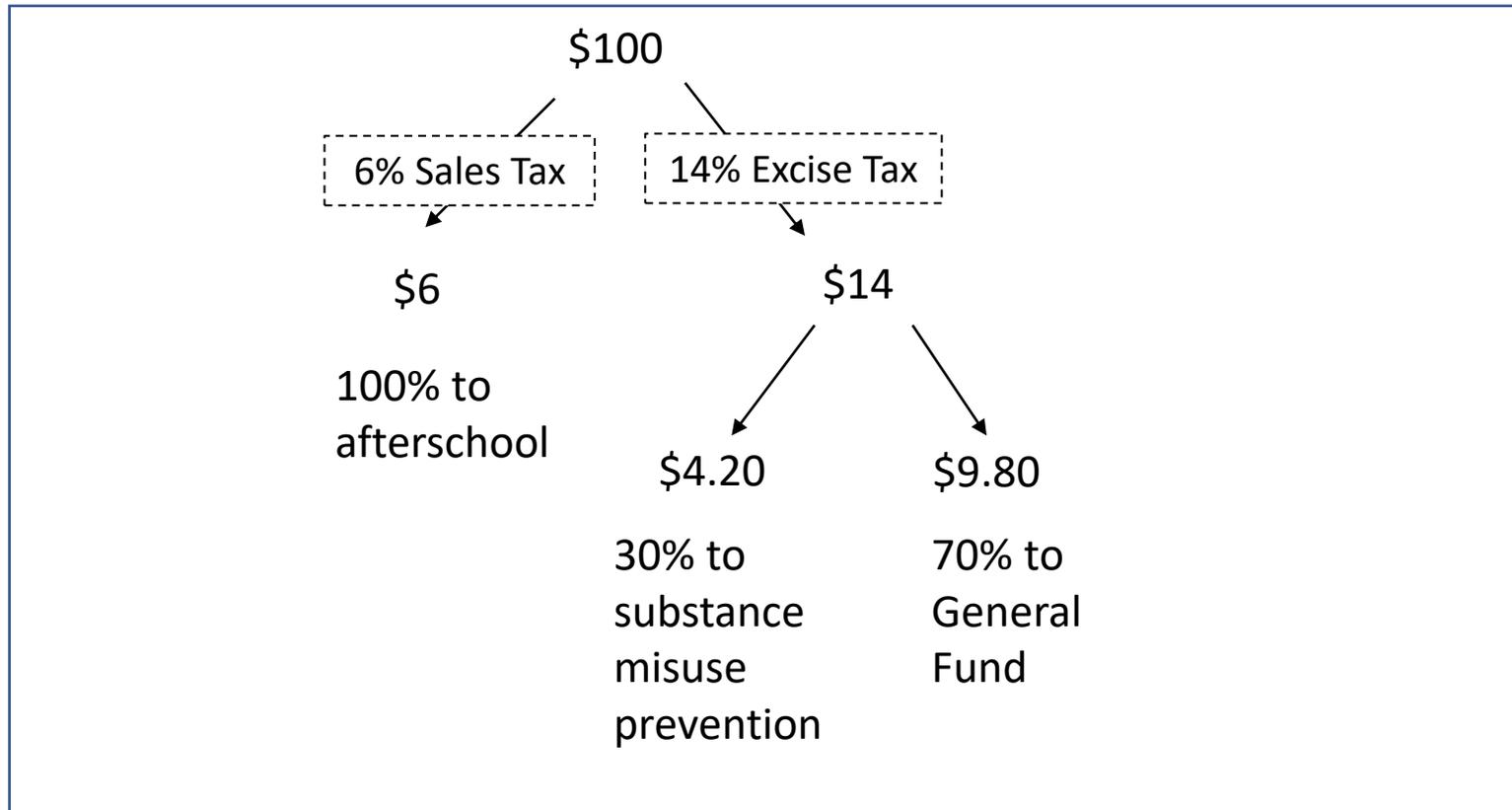
Figure 1: Example allocation of revenues – FY24 and FY25



# Cannabis Revenues – FY23, FY26 and beyond

- If \$100 were spent on cannabis, cannabis revenues would be allocated accordingly:

*Figure 2: Example allocation of revenues – FY23, FY26 and beyond*



# Revenue Forecasts

- Excise and sales tax estimates included in the January Consensus Revenue Forecast adopted by the Emergency Board
- Market opening FY23 results in only a partial year of excise and sales tax revenue
- Assumes continued market growth in FY24 and FY25.

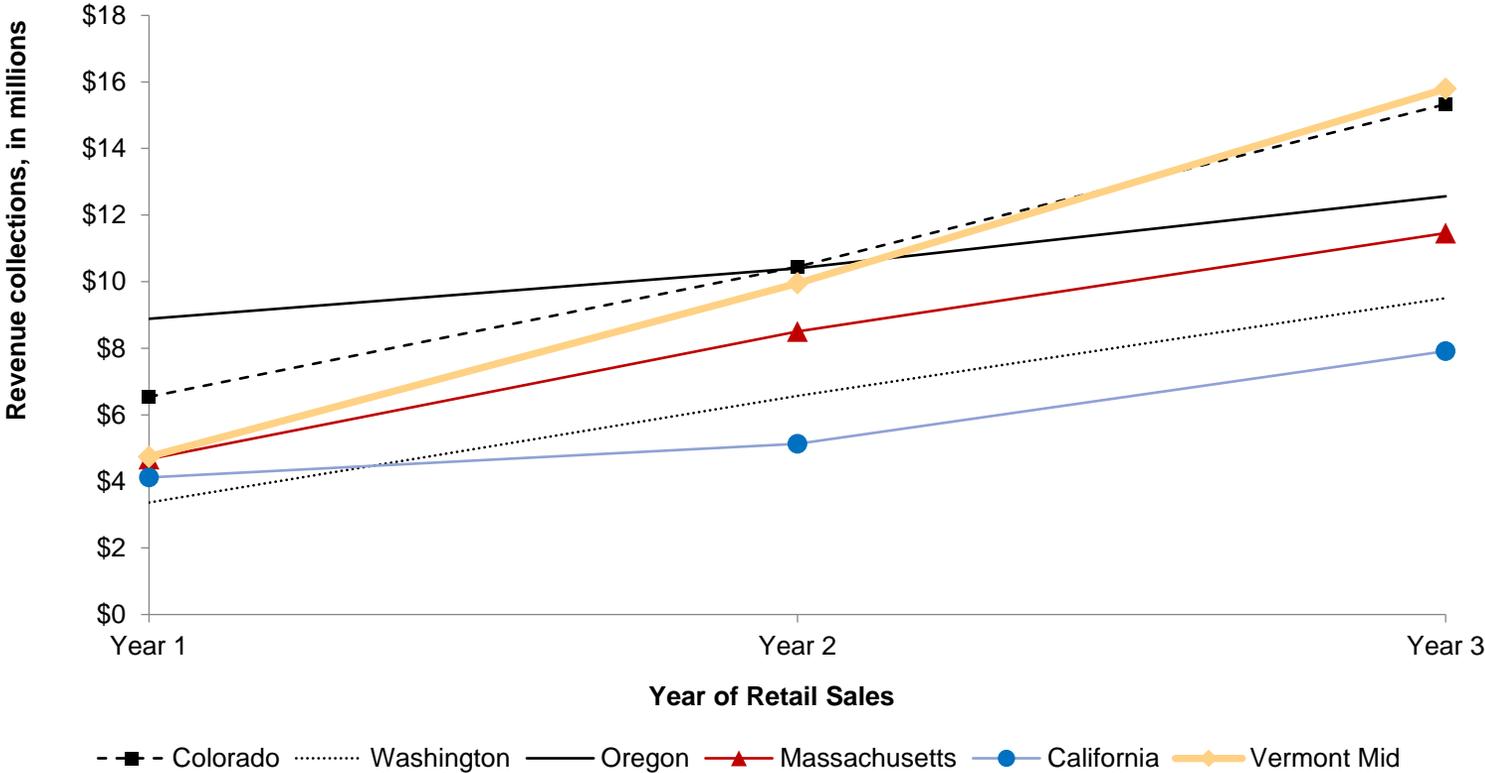
| <b>Cannabis Revenue Forecast (in millions)</b> |             |             |             |
|------------------------------------------------|-------------|-------------|-------------|
|                                                | <b>FY23</b> | <b>FY24</b> | <b>FY25</b> |
| <b>Excise Tax</b>                              | \$4.70      | \$9.90      | \$14.40     |
| <b>Sales Tax</b>                               | \$2.00      | \$4.30      | \$6.10      |
| <b>Fees</b>                                    | \$1.10      | \$1.20      | \$1.20      |
| <b>Total</b>                                   | \$7.80      | \$15.40     | \$21.70     |



# Revenue Forecasts – Excise Tax

## Cannabis Tax Revenue FY23-FY25

(Normalized by Population and 14% Excise Tax Rate  
Other states based upon actual revenue collections )



Source: JFO analysis of state data



# FY23 Revenue to Date

- 6 more months of FY23 to collect taxes
- 25 dispensaries open, more to open soon

| <b>Cannabis Collections YTD</b> |                                |                                  |
|---------------------------------|--------------------------------|----------------------------------|
|                                 | <b>Excise Tax<br/>(actual)</b> | <b>Sales Tax<br/>(estimated)</b> |
| <b>November</b>                 | \$329,000                      | \$141,000                        |
| <b>December</b>                 | \$533,000                      | \$228,000                        |
| <b>Total</b>                    | <b>\$862,000</b>               | <b>\$369,000</b>                 |



# Forecast considerations

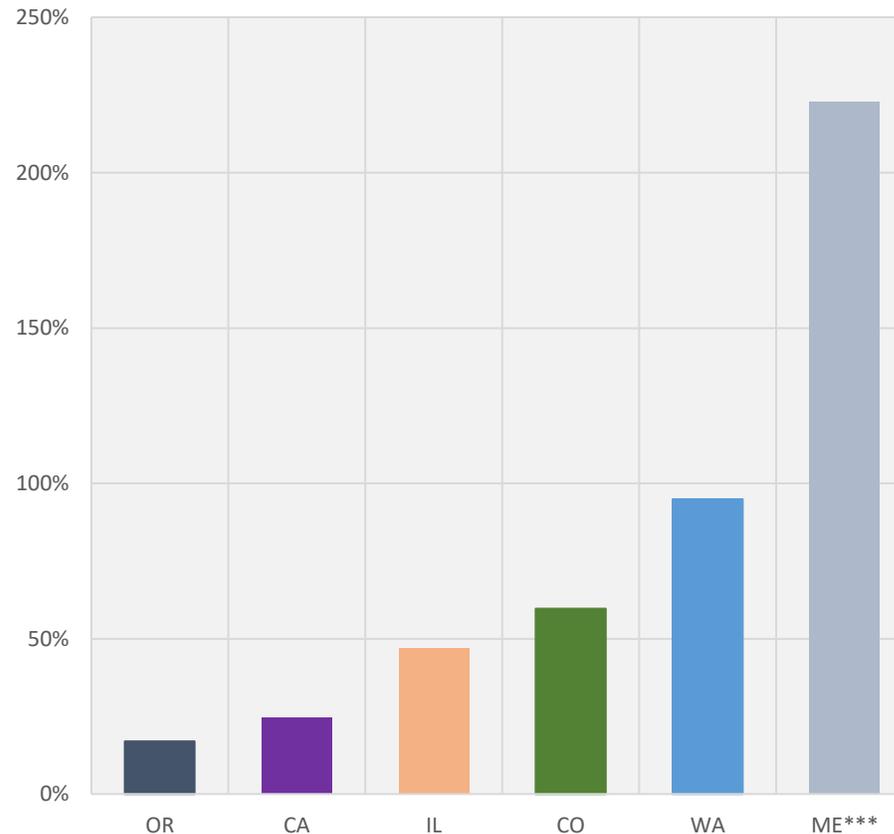
- Market trajectory
  - Most states show initial quick growth that eventually levels off
- Legal consumption
  - It remains unclear how much overall consumption will be captured by the retail market
- Regional competition
  - More available nearby markets may drive down price and decrease cross-border purchases
- Price
  - Most retail markets start with a high initial price that eventually fades



# Market Trajectory - Ramp up

- Most states show quick initial growth
- Vermont has ramp-up period as well
  - Vermont started with 3 but now has 25 open dispensaries
  - Those 25 are a part of the 54 overall retailers in the licensing process

% Change in Revenue Between First Two Fiscal Years

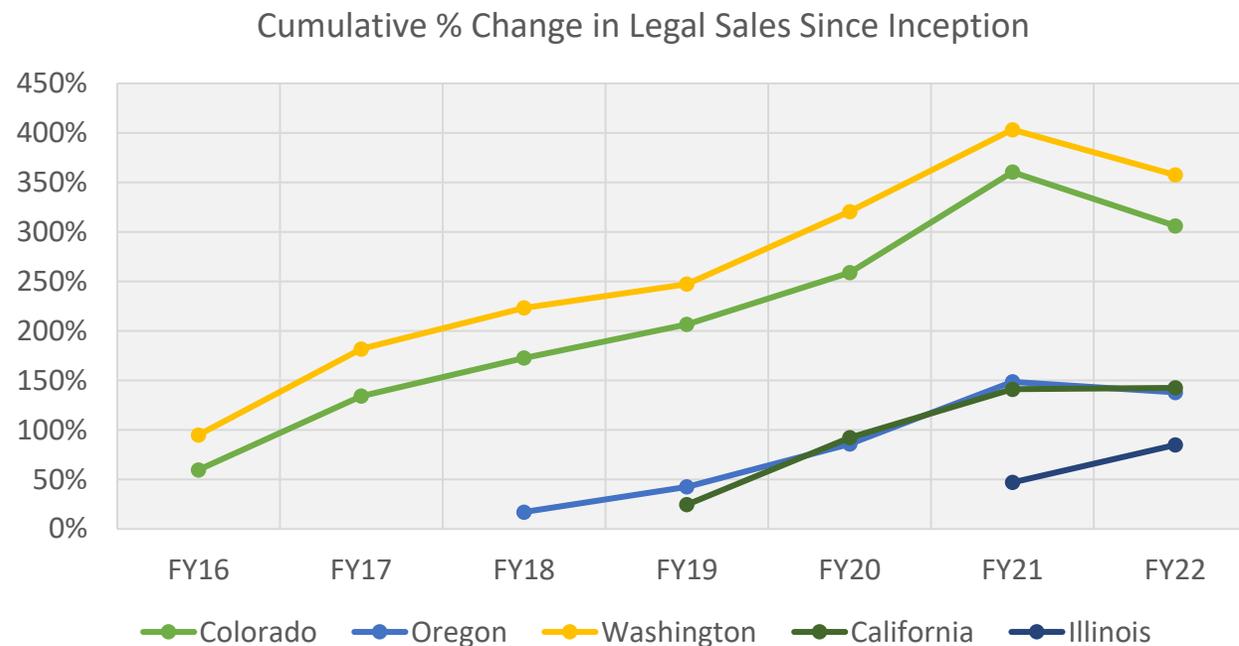


Source: JFO analysis of state data



# Market Trajectory – Long term leveling off

- Cannabis market growth in other states has leveled off over time



Source: JFO analysis of state data



# Consumption Capture by Retail Market

- Vermont has relatively high consumption of cannabis
  - According to Substance Abuse and Mental Health Services Administration (SAMSHA) survey of marijuana use in past month
  - In VT, 17.11% answered yes to consuming cannabis, 9.78% in Northeast overall
- High prices in retail market and allowing people to grow their own cannabis may depress retail purchases
- Key question for model: How much overall consumption will be captured by the retail market?



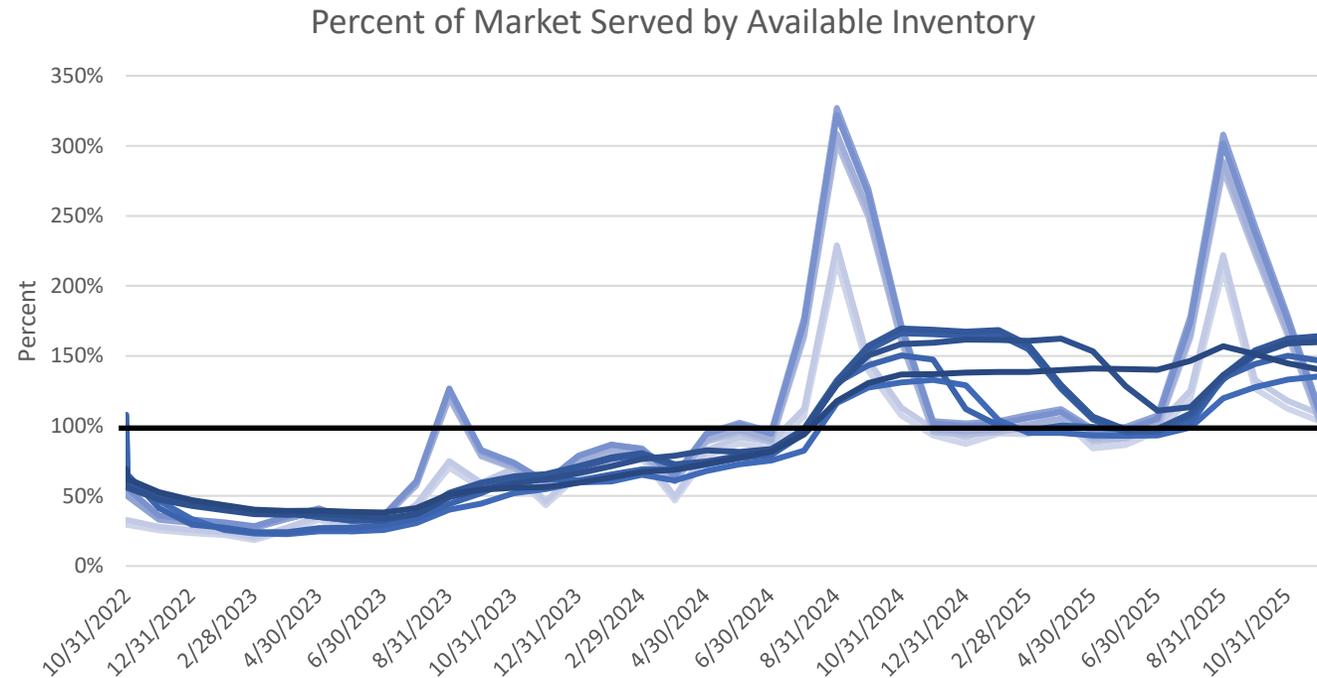
# Regional Competition

- All New England states, except NH, allow for retail sales of cannabis
- NY and CT started retail sales within the past couple of months
- Tourism drives about 5.5% of forecasted sales in Vermont's market but could decrease as a result



# Price – Vermont's experience

- Like any other good, supply and demand drive price
- CCB shows supply well above demand starting with harvest in 2024

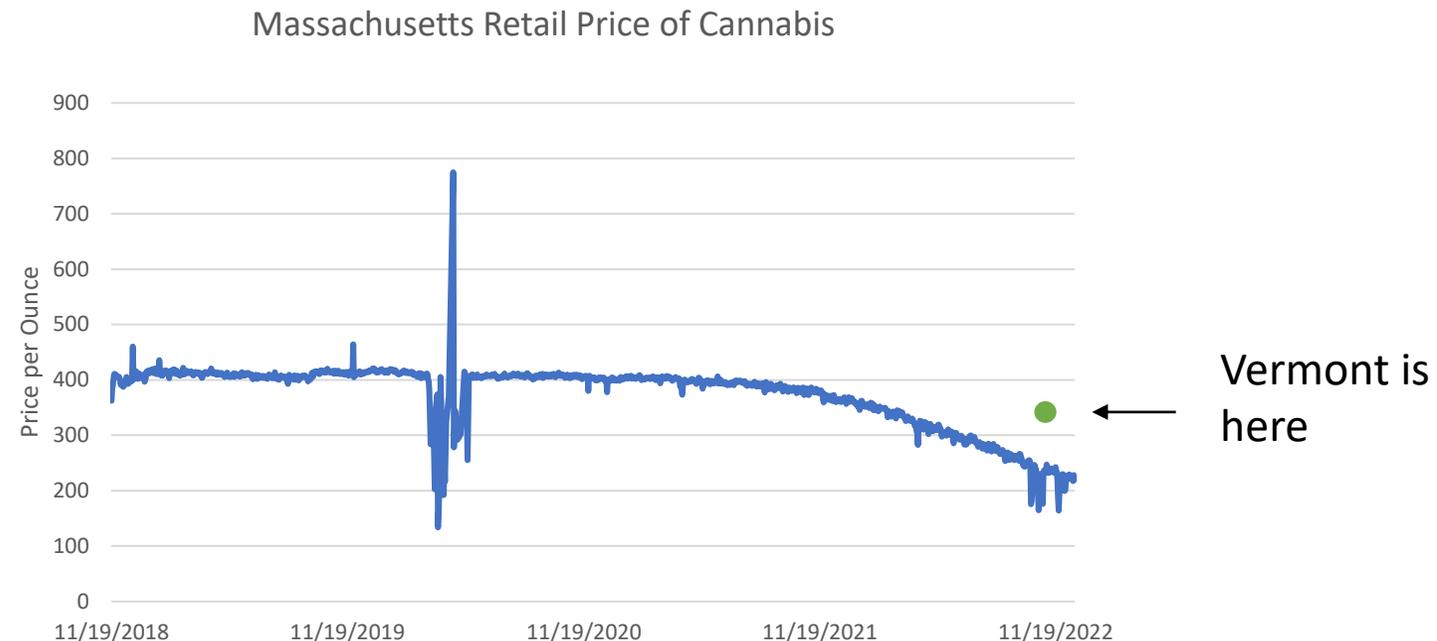


Source: CCB Modeling



# Price - Other States Experience

- Massachusetts starting to see price declines



Source: Cannabis Control Commission Massachusetts  
Open Data



# Questions?

